

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4005-01
Bill No.: HB 1524
Subject: Retirement – State; Retirement Systems and Benefits – Firefighters
Type: Original
Date: February 27, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCP)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

The **St. Louis Firefighter's Retirement System (STLFRS)** did not respond. **Oversight** assumes there would be no fiscal impact to the St. Louis Firefighter's Retirement System.

Officials with **St. Louis City (STL)** assume the proposal pertains to removing the current connection between the cost-of-living increases granted retirees after age 60 and the annual increase in the Consumer Price Index (CPI). Currently these retirees receive cost of living increases each year equal to the lesser of 5% or the annual increase in CPI up to a cap of 25%. The proposed legislation would remove the CPI connection and simply grant 5% increases for each of the first five years at which point the 25% cap would then be reached.

STL notes per letter from the Fire Retirement System actuary dated January 18, 2002, the proposed benefit "may accelerate the actual cost of living increases provided to retired members. However, the implementation of this change will not increase the contribution requirement for the System... because the actuarial valuation assumes the annual CPI increase will be 5% per year in future years.

However, STL note that the current provision allows for increases at the lesser of 5% or the annual increase in CPI. So actual experience currently can either be at or lower than 5% per year. Over time this will result in actual experience below 5% annually. While the actuarial assumption may be 5%, it does not change the actual experience to which the assumption will need to be periodically reconciled. (See below 10 year CPI history) The proposed legislation serves to "lock in" the increases at 5% per year and thus will be increasing the actual experience. This in turn would ultimately have a negative impact on the assumptions and therefore increase the liabilities and required contributions to the system.

Oversight assumes no short term fiscal impact will occur.

10 Year CPI History

St. Louis

<u>Year</u>	<u>MSA</u>	<u>% Increase</u>
1991	132.1	
1992	134.7	2.0%

	1993	137.5	2.1%
<u>ASSUMPTION</u> (continued)			
	1994	141.3	2.8%
	1995	145.2	2.8%
	1996	149.6	3.0%
	1997	152.9	2.2%
	1998	154.5	1.0%
	1999	157.6	2.0%
	2000	163.1	3.5%
	2001	167.3	2.6%

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal removes outdated language regarding the distribution of the cost-of-living adjustment under the St. Louis Firefighters' Retirement Plan.

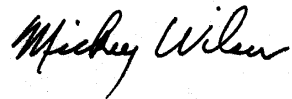
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
City of St. Louis

NOT RESPONDING

St. Louis Firefighters Retirement System

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
February 27, 2002